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## CURRENT INTELLIGENCE WEEKLY SUMMARY

15 December 1960

## ANTI-US FEELING IN ECUADOR

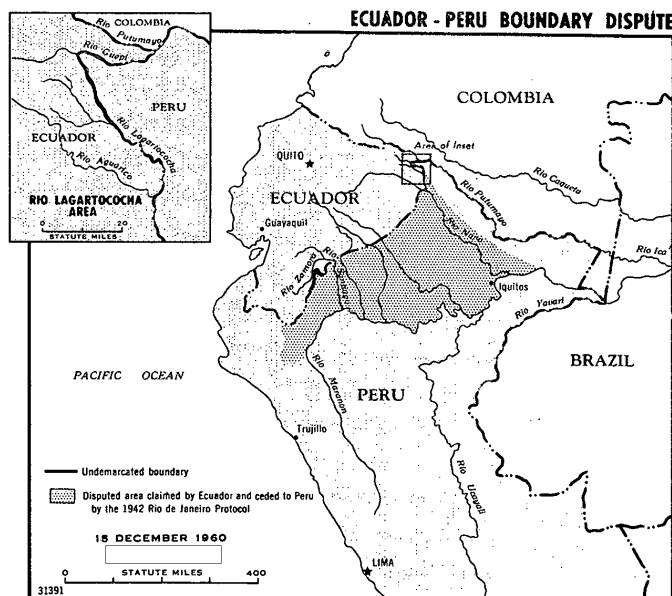
Anti-US sentiment and pressures for establishment of relations with the Sino-Soviet bloc are building up in Ecuador as a result of the 7 December declaration by the guarantor nations to the 1942 Rio Protocol, which provides for a definitive settlement of the 140-year-old border dispute with Peru and grants a favorable award of territory to the latter. The guarantor nations are the US, Argentina, Brazil, and Chile, and the declaration, which was in response to Ecuador's provocative campaign to denounce the treaty as null and void, upholds its validity.

Demonstrations against the US Embassy in Quito and the consulate general in Guayaquil began on 9 December and were followed by additional violence against US installations in these and other cities on 12-13 December--including insults to the US flag. The later unrest may be connected with a reported plan of the small but influential Ecuadorean Communist party for full exploitation of the anti-US sentiment and strong nationalistic feelings generated by the border issue.

While the other guarantor powers expressed grave concern over President Velasco's frequent denunciation of the protocol since he took office last September and insisted on a firm guarantor position upholding it, the United States has been primarily blamed for the

declaration--not merely by Communists but also by top government officials. The Ecuadorean Government is directly encouraging these outbreaks by inflammatory public statements, particularly those of the pro-Castro, anti-US minister of government, Manuel Araujo, who controls the police and is responsible for the maintenance of order.

The Velasco regime is also resorting to a variety of extremist threats designed to neutralize the guarantor declaration and win official and



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popular support for its cause in the hemisphere. These threats include the establishment of closer ties with Cuba and diplomatic relations with the USSR and China and withdrawal from the Organization of American States. Foreign Minister Chiriboga advised the US ambassador on 10 December that the declaration has crystallized the efforts of Araujo, Vice

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President Carlos Arosemena, and other cabinet members to "eliminate excessive dependence on the US" and seek relations with the USSR and China.

In a 10 December public statement timed to reinforce such threats, Chiriboga announced that Czechoslovakia would reopen its legation in Quito, which was closed by Ecuador's previous government in 1957. Araujo has publicly advocated the acquisition of Soviet military and other aid if necessary "to defend our country."

The Ecuadorean armed forces, who realize Peru's marked military superiority and are politically hostile to Araujo and friendly toward the US, represent a potentially moderating influence on Velasco. Velasco has publicly renounced war as a means of settling the border dispute. In Peru, where official and public opinion was elated over the guarantor declaration, the army is sending reinforcements to the border, including 12 tanks, and the navy has stationed major fleet elements off the northern coast --probably as a precaution against the outbreak of fighting.

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**CANADA'S ECONOMIC DIFFICULTIES**

Faced with the prospect of a severe economic recession this winter, Prime Minister Diefenbaker has recalled Parliament two months early to take remedial action.

Unemployment, which has already climbed to almost 7 percent of the labor force, will probably reach a postwar high of 10 percent during the winter. The main factor in the unemployment increase is the failure of manufacturing industries, which employ 27 percent of Canada's workers, to develop at the same rate as have the minerals and other raw materials industries.

Government officials privately admit that there is no hope this year of achieving the previously estimated balanced budget and a 6-percent increase in gross national product. Despite an 8-percent increase in Canada's export trade in the first nine months of this year, the balance-of-payments deficit is expected to be even higher than last year's record \$1.46 billion.

The economic downturn has already had sharp political repercussions. The American Embassy in Ottawa sees Diefenbaker as "obsessed" with restoring his government's rapidly declining popularity and with countering the Liberal opposition's telling charge that the Conservatives have totally failed in their pledge to broaden Canada's industrial base and to lessen its economic dependence on the US.

Diefenbaker's proposals at the opening session of Parliament on 17 November--establishing a productivity council and staging an all-out export promotion campaign--will have little immediate effect on either the economic slump or the government's standing. The prime minister also stated that the government was considering legislative measures to obtain greater participation by Canadians in the ownership and control of Canadian industry and resources, but he has not yet offered specific proposals.

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